

**REPORT OF THE AUDIT OF THE  
HICKMAN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2007**

*Romaine*  
and  
*Associates* PLLC

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CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF THE AUDIT OF THE  
HICKMAN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2007**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HICKMAN COUNTY SHERIFF**

**For The Year Ended  
December 31, 2007**

Romaine & Associates, PLLC has completed the Hickman County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$4,536 from the prior year, resulting in excess fees of \$11,466 as of December 31, 2007. Revenues decreased by \$4,678 from the prior year and expenditures decreased by \$9,214.

#### **Report Comment(s):**

- The Sheriff Should Deposit Receipts On A Daily Basis.
- The Sheriff's Office Lacks Adequate Segregation of Duties.

#### **Deposits:**

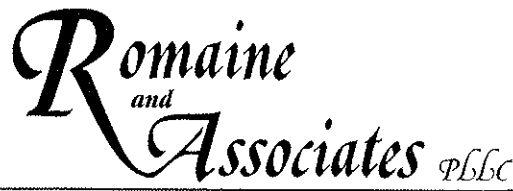
The Sheriff's deposits were insured and collateralized by bank securities.

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Krista Romaine, CPA, Member  
Charlotte Clark, Member



William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Greg Pruitt, Hickman County Judge/Executive  
The Honorable John David Turner, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Hickman County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2009 on our consideration of the Hickman County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Honorable Greg Pruitt, Hickman County Judge/Executive  
The Honorable John David Turner, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Deposit Receipts On A Daily Basis.
- The Sheriff's Office Lacks Adequate Segregation of Duties.

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Hickman County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

*Romaine & Associates, PLLC*

Romaine & Associates, PLLC  
Certified Public Accountants

March 20, 2009

HICKMAN COUNTY  
JOHN DAVID TURNER, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 51,250
Sheriff Security Service	<u>3,532</u>

State - Kentucky Law Enforcement Foundation Program Fund

Circuit Court Clerk

Fines and Fees Collected

Fiscal Court

Quarterly Contribution	\$ 15,000
Sheriff's Office Salaries	10,160
Court Security Contributions	<u>5,394</u>

County Clerk-Delinquent Taxes

Commission On Taxes Collected

Fees Collected For Services:

Auto Inspections	\$ 2,235
Accident and Police Reports	103
Serving Papers	7,050
Carrying Concealed Deadly Weapon Permit	<u>1,460</u>

Other:

Transporting	\$ 1,103
Sheriff's Fees	9,109
Miscellaneous	<u>1,176</u>

Interest Earned

Borrowed Money:

State Advancement

Total Revenues

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY  
 JOHN DAVID TURNER, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2007  
 (Continued)

Expenditures

Operating Expenditures:		
Personnel Services-		
Deputies' Salaries	\$ 30,348	
Court Security	42,835	
Employee Benefits-		
Employer's Share Social Security	3,279	
Contracted Services-		
Advertising	727	
Contract Labor	1,352	
Summons and Subpoenas	10	
Materials and Supplies-		
Office Materials and Supplies	1,166	
Uniforms	305	
Radio Expense	250	
Phone	3,469	
Auto Expense-		
Mileage	13,952	
Other Charges-		
Dues	330	
Postage	1,338	
Carrying Concealed Deadly Weapon Permits	1,355	
Jury Meals	163	
Miscellaneous	2,444	\$ 103,323
Debt Service:		
State Advancement		21,000
Total Expenditures		124,323
Net Revenues		72,682
Less: Statutory Maximum	60,958	
Sheriff's Incentive Training	258	61,216
Excess Fees Due County for 2007		11,466
Payment to Fiscal Court - January 10, 2008		11,466
Balance Due Fiscal Court at Completion of Audit		\$ -

The accompanying notes are an integral part of this financial statement.



HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Hickman County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Hickman County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Account

During 2007, under the terms stipulated by the United States Department of Justice and the Commonwealth of Kentucky, the Sheriff's office received proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2007, this account had a balance of \$8,998. During 2007, funds of \$308 were received and funds of \$4,845 were disbursed leaving a balance of \$4,461 as of December 31, 2007.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Greg Pruitt, Hickman County Judge/Executive  
The Honorable John David Turner, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Hickman County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated March 20, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation of Duties.
- The Sheriff Should Deposit Receipts On A Daily Basis.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above, to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Deposit Receipts On A Daily Basis.

This report is intended solely for the information and use of management, the Hickman County Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Romaine & Associates, PLLC*

Romaine & Associates, PLLC  
Certified Public Accountants

March 20, 2009

## COMMENTS AND RECOMMENDATIONS

## INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

### The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically open his cash receipts by mail, prepare the individual receipt tickets, and agree them with the daily checkout sheet. Then he should compare the daily bank deposit to the daily checkout sheet and to the receipts ledger for that day. Any differences should be reconciled. The Sheriff should document this by initialing and dating the mail receipts, the bank deposit, the daily checkout sheet, and the receipts ledger for the day's business.
- The Sheriff should periodically perform a surprise cash count on his collections for the day. Any material or unusual differences should be resolved. The Sheriff should document this by initialing and dating the daily checkout sheet and the deposit slip.
- The Sheriff should periodically, and on a surprise basis, agree amounts on invoices with payment amounts on checks. Any differences found should be resolved. The Sheriff should document this comparison by initialing and dating the invoice.
- The Sheriff should compare the salaries listed on the quarterly financial report to the individual earnings records for accuracy. Any differences found should be resolved. The Sheriff should document this comparison by initialing and dating the quarterly financial report and the individual earnings records.
- The Sheriff should periodically, and on a surprise basis, compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff should document this comparison by initialing and dating the bank reconciliation and the balance in the checkbook.
- The Sheriff should for each quarter compare his quarterly financial report to his receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Sheriff should document his comparison by initialing and dating the quarterly financial report and his ledgers.

*Sheriff's Response: The official gave no response.*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:  
(Continued)

The Sheriff Should Deposit Receipts On A Daily Basis

KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which includes depositing receipts intact on a daily basis into a federally insured banking institution. Additionally, sound internal control policies dictate the intact deposit of receipts on a daily basis. The Sheriff did not make deposits in a timely manner; deposits were made on a weekly basis. We recommend that funds be deposited on a daily basis in order to comply with state regulations and to maintain sound internal controls.

*Sheriff's Response: The official gave no response.*

COMPLIANCE AND OTHER MATTERS:

The Sheriff Should Deposit Receipts On A Daily Basis

KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which includes depositing receipts intact on a daily basis into a federally insured banking institution. Additionally, sound internal control policies dictate the intact deposit of receipts on a daily basis. The Sheriff did not make deposits in a timely manner; deposits were made on a weekly basis. We recommend that funds be deposited on a daily basis in order to comply with state regulations and to maintain sound internal controls.

*Sheriff's Response: The official gave no response.*